

South Korean business environment and startup ecosystem

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Supervisor(s) Mia-Maria Salmi <p>Many Western companies have the potential and interest to expand their businesses to South Korea but it takes quite a lot of effort unless there is a native in the team or a lot of background research done beforehand. Understanding the Korean culture is very important as the nation is one of the most homogeneous in the world.</p> <p>This thesis researches what the South Korean business culture and startup ecosystem are like and works as a small guidebook for Lexit Inc, a blockchain powered marketplace for startups. This PEST type market research focuses on what Lexit should take into consideration when entering the markets in South Korea. The research concentrates on some of the most important cultural, political and economic factors that have the most influence on the startup scene and doing business with the locals. Understanding these factors eases working on the entry plan and successfully adapting to the markets.</p> <p>Plenty of different secondary sources, cultural theory as well as a few interviews from the people in the boundary surface of the startup scene are used in order to get an overview of the current market and understanding the local ways of doing business in South Korea. The thesis has been written between 2017 and 2018. More interviews or even a survey could've been conducted but it is rather difficult without the right connections. The lack of that sort of research is compensated with a variety of news and interviews from other sources.</p> <p>The conclusion of this study is that South Korea has a bubbling startup culture that lays loads of business opportunities in it for foreign companies like Lexit. The ICO scene and startup ecosystem in South Korea are progressing full speed and the future of the South Korean economy seems rather bright. The M&A markets are also expected to heat up in the near future so it is the right time for Lexit to start planning their entry. When Lexit overcomes all cultural and legal obstacles, they have the chances for huge success in the Korean markets.</p>	
Key words South Korea, Startup ecosystem, Lexit, Business Culture, Exiting, M&A	

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1 Introduction

Regardless of the fact that making it in South Korea is often time consuming and takes a lot of effort, it can be very beneficial once you succeed. South Korea is one of the biggest economies in the world and success in South Korean markets can make it easier to enter Chinese markets as well (Hatanpää 2014). Koreans are a good nationality to do business with because they take risks and are willing to experiment, they show initiative and are creative, adaptable as well as accessible (Lewis 1996, 398). Many companies have the potential and interest to expand their businesses to South East Asia but it takes a lot of effort unless there is a native in the team or a lot of background research done beforehand. However, it should not be seen as an obstacle for entering the markets.

Entering the Asian markets is no longer considered as a risk-taking adventure, but rather a norm for many multinational enterprises. There is, however, one market that seems to have been fairly unknown and overlooked by many companies until the recent years – the South Korean market, says Toivanen (2015, 6)

South Korea has a bubbling startup culture, which is rarely spoken about, that lays loads of business opportunities in it for westerners, too. According to Industrial Research Institute (2016, 3) Asian economies and their R&D continuously keep growing faster than in any other parts in the world.

I chose Lexit Inc. as the company of focus for this research because they are interested in expanding their business to South Korea in 2018 and they don't have experience or much knowledge of doing business there. I have lived in South Korea for economic and language studies so I wanted to deepen my knowledge of the market and help companies understand the unique culture and ways of doing business there.

1.1 Objectives and limitations

The main objectives of this research are to analyze the South Korean business environment, the state of the cryptocurrency and the local startup scene. This market research focuses on what Lexit should take into consideration when entering the markets in South Korea. The research takes into consideration some of the most important cultural, political and economic factors that have the most influence on the startup and business scenes. Understanding these factors eases working on the entry plan and successfully adapting to the markets.

First and foremost, it is vital to understand that cultures can differ from each other quite a lot and being polite doesn't always work the same way in another culture. As Gesteland (2005, 17-19) states, there's a rule to international business that's important to understand: when you're the seller or the visitor abroad, you're also the one who has to adjust to the culture of the buyer or partner.

In order to understand business behaviors in different cultures and to do cross-cultural business successfully, one has to understand how they divide and how that affects the way of conducting the business. Gesteland talks about a "great divide" that divides business cultures into two categories: Relationship focused (RF) and deal-focused (DF). If people don't understand the divide they will usually approach the counter partner in a wrong way and end up in conflicts. It is also good to understand the differences between being egalitarian (informal) and hierarchical, monochronic and polychronic as well as emotionally expressive and emotionally reserved cultures. (Gesteland, 25-27). As described by Jang and Coyne (2010, 8-10), understanding South Koreans can be very difficult. Getting familiar with the unique local culture is the key to successful business in South Korea, which is often falsely considered similar to markets like China and Japan.

This material will help Lexit and other companies to understand how to present their services and products to the South Korean market. The purpose of this thesis is to serve as a practical handbook. In order to not confuse the readers' minds with the whole history of South Korea, the subjects mentioned above are limited to fields that have an effect on the business culture. PEST analysis, which covers political, economic, socio-cultural and technological factors, has been used as the framework to study the South Korean market. To get a good overall view of the market for Lexit, I've had to take their shareholders, which can be seen in the figure below, into account.



Figure 1. Lexit Shareholders (Lexit 2016)

What limits the research, is the fact that there exists a language barrier as reading Korean is rather time-consuming for me as I am not on a native level and there isn't much data and resources available of the startup scene in South Korea in English or Finnish. Also, getting proper interviews from distance is rather difficult. Additionally, the laws and regulations of South Korea kept changing in a fast phase during my research so the companies using this as a guidebook should always check the latest regulations. As Lexit is a startup itself, its business plan has changed drastically, too. This has widened the areas of research.

1.2 Methods and structure of the thesis

This research is mostly qualitative since it aims to provide a detailed description of the topic in an exploratory nature. "Qualitative research aims to understand the richness and complexity of social experience by attending closely to the actions, interactions, and social contexts of everyday life. It involves systematically "watching people in their own territory"" (Kirk & Miller 1986, 9). There is some information about the Korean business culture out there but it is rather scattered and not always connected to the real business world so this research is a collection of all the essential information. The research is based on accurate articles and theory, and includes a few interviews from different perspectives.

The research is conducted in English so that the people working at Lexit Inc. and other companies will be able to understand it and use it as their guide when starting to shape their entry plan to South Korea.

In order to gain at least some in-depth information on the subject, I interviewed two Koreans who work in different positions in the boundary surface of Korean startup ecosystem and investing; the other one works in one of the largest venture capital companies in South Korea and is an entrepreneur as well, and the other one is a serial startup entrepreneur and plays an active part in the local startup ecosystem. In Korean culture, it isn't socially well-mannered to criticize the customs in their own country so one of the interviewed wanted to stay anonymous. The two interviews conducted for this research are unique and not meant to be empirical but rather give a deeper overview of the current startup and business culture in South Korea. Additionally, the founders of Lexit were interviewed for the thesis to get better insight of their business. The interviews were conducted via messages, calls and face to face meetings in Helsinki and South Korea. More interviews would've been included but most of the people who were reached out to did not answer.

2 Lexit Inc.

Lexit Inc. is a blockchain powered technology startup launched in 2017 and based in Tallinn, Estonia. The company provides smart exiting services for startups of all sizes around the world. Lexit was established because there is a need for such service but no relevant marketplaces to exit startups. "I came up with the idea when I wanted to sell my company Nintu and realized that there were other startups that would need a relevant marketplace as well" tells Kaltak (6.4.2017), the founder of Lexit Inc. "90 per cent of startups fail" so there are plenty of other startups tackling with the same problems. (Lexit Inc. 2016, 2-4)

Exiting or selling parts of startups, or any companies, is time consuming, complicated and takes plenty of effort. Finding potential buyers and the process of asking for bids is not easy for startups, especially when it comes to the small and less renowned ones. Lexit Inc. has created a marketplace that makes exiting beneficial and rather effortless. In their service one can, for example, be exposed to potential buyers globally, sell intellectual property and assets, find advanced technology and teams and get full mergers and acquisitions solutions to close the deals. (Lexit Inc. 2016, 2-6). Every startup or part of it can be listed for bidding on Lexit and exposed to investors around the world.

Utilizing a platform approach, blockchain technologies, and an international network of business partners, Lexit aims to increase the efficiency and liquidity of the corporate asset market in the same way eBay did for peer-to-peer commerce and Airbnb did for short-term renting. (Lexit 2018, 4)

"Our company is beneficial for the startup ecosystem since most of the startups fail but still have some features that others could benefit from. We help those startups to liquidize themselves to the shareholders' benefit", explains Majamäki (1.2.2017). Kaltak (6.4.2017) adds that Lexit's services are beneficial even to the healthy startups because they can give the company leverage and help in evaluating the company.

Lexit's focus is on the technology industry since, according to their research, there are approximately 100 million technology companies founded every year and it has billions of growth each year. This means that the growth possibilities are great for Lexit as well. Technology startups or parts of them are also easier to sell. An optimal market for Lexit in Kaltak's opinion is an area with a booming startup scene. (Kaltak 6.4.2017)

The company currently operates in Estonia and is constantly looking for possibilities to expand to other countries and continents where the startup and cryptocurrency cultures are bubbling. Lexit is also interested in entering Asian and especially South Korean markets in the near future but due to the lack of their knowledge of the local startup and business scenes, culture and manners as well as connections it has been rather difficult to start even thinking about proper entry plans (Majamäki 1.2.2017).

2.1 Mergers and acquisitions explained

As mentioned, Lexit Inc. provides full mergers and advisory solutions for startups wanting to exit.

Mergers and Acquisitions, M&A in short, refers to the consolidation of companies or assets. While several types of transactions can be classified under M&A, a merger means a legal consolidation of two entities into one entity, whereas an acquisition refers to an occurrence in which one entity takes ownership of another entity's stock, equity interests or assets. (Hästö & Co).

Mergers and acquisitions advisory services typically include the services show in the figure 2 below:



Figure 2. Typical phases of an M&A

2.2 Competition

As Kaltak states, they are the very first of a kind and there are no other relevant platforms like Lexit in the markets so far. Of course the world is full of companies that provide M&A services but the field is dominated by legal service and consultancy companies. Using the dominating companies' services is usually out of question for smaller startups due to the high costs of the services available. The M&A companies in the current markets don't tend to focus on small deals. Lexit Inc. is a platform for every startup, no matter how big of a deal we're talking about. Lexit is fully automated, easy to use and available for the less experienced entrepreneurs as well. (Kaltak 30.6.2017), This given, it means that Lexit also democratizes the M&A business when everyone has the opportunity to sell assets of their companies instead of throwing away the projects.

Kaltak (30.6.2017) believes that every startup has a value and every startup benefits from the leverage Lexit can provide, whether we're talking about a million-dollar business or a small startup with no sales. Even if you weren't going to sell your company, you could still leverage from listing your company: you could use the platform to evaluate your company's worth for future reference. If the startup markets rise, it is good for Lexit because then there will be more potential clients with higher value but even if there are more startup failures it is also profitable for Lexit because there will be more startups wanting to liquidize parts of them. Frankly, there are always business opportunities as long as there are startups. "If a company is making only 500 dollars a year and struggling and get their assets sold for 10 000 dollars, which might sound like a small amount, it's still a great maximized profit", says Kaltak (30.6.2017) It is beneficial for Lexit to do smaller sales as well, because the global markets are so huge and there are potential clients almost everywhere where are entrepreneurs. Lexit was established to maximize everyone's profit and to truly be part of the startup ecosystem.

2.3 Marketing & Entry

Lexit's strategy is to create a wide network around them, since they don't have the resources for massive advertising campaigns, nor do they even want to execute such. To increase the use of Lexit, they are going to create global affiliate programs with partners in two levels. Building strong networks of people with wide connections around the world with the program will not only increase the sales but also make the partners promote Lexit's services to a wider audience. In this arrangement everyone benefits; the startup can liquidate its parts, Lexit gains recognition along the profit and the partners get their own share of the deal. The affiliate partners can get up to a 50% share of Lexit's share when making a deal. 50% may seem a ridiculously big of a share but this will considerably

boost the business and there's no worry of being unprofitable since the network will be wide and lead to masses of sales. (Kaltak 30.6.2017)

3 South Korea

The Republic of Korea, better known as South Korea, is a country that mixes super modern technology with ancient culture. Regardless of the fact that South Korea is the most connected country in the world and the lifestyle there is relatively modern, the traditional Confucian values are present in the daily life. Those values have a massive impact on the life of Koreans; it defines the hierarchic relations between the people, shapes the moral system and is a basis for the legal system.

South Korea is a country of ca. 50 million inhabitants and its neighbor countries are North Korea, which it shares a border with, Japan and China. The country uses Korean won (₩) as its currency and its official language is Korean whose alphabet is called Hangeul. South Korea's major religions are Buddhism and Christianity. (Invest Korea 2018)

South Korea is a country that is poor in natural resources and that is one of the main reasons why the nation emphasizes educating the citizens to become scientists, engineers, programmers, doctors etc. The emphasis on science and manufacturing, with the liberalization of international trade which kicked started from president Park Chung-Hee's developmental strategies in the early 60's, has turned the country rather export oriented (Jaganathan, Krulikowski & Yusuf 2017). South Korea is considered to have top global performance in education, quality of health care as well as in the ease of doing business. Nowadays South Korea is the major exporter of telecommunications equipment (Samsung, LG), ships, automobiles (KIA, Hyundai) and semiconductors. (WEDC; Kim 2010). South Korea is also one of the most connected countries in the whole world; 89.9% of the population use the internet (CIA 2018b).

3.1 Major cities

South Korea's major cities are Seoul, Busan, Incheon, Daegu, Daejeon and Gwangju. South Korea's capital Seoul, a metropolitan area of 25 million inhabitants, is the leader of the South Korean economy that's replete with opportunities for a wide range of different industries. (WEDC 2016a.) Busan, located in the Southeastern coast, is the second largest city in South Korea and considered as the hub of marine logistics as it has the fifth biggest port in the world. In addition to great transportation infrastructure, Busan is a very R&D oriented city with hundreds of research institutes (Invest Korea 2018b). Only about less than one third of the population in South Korea lives outside of Seoul, Busan or Daegu and closer to half of the nation lives an hour away from Seoul. (Coyne, Jang 2010). Making it in the Seoul market will work as a gateway to the whole country.

Seoul and Busan are definitely not the only major South Korean cities businesswise; for example, Daegu has been described as the water technology hub of South Korea. Daegu is also known for its achievements in the fields of medical technology, robotics and green energy. (WEDC 2016b)

According to Wisconsin Economic Development Corporation, Daejeon is a hub for scientific research and innovation and the home for Korea Institute of Startup & Entrepreneurship Development (KISED) and Daeduk Research Complex which is a center for tens of government-funded research institutes, universities and hundreds of private-sector research and development centers and numerous startups. (WEDC 2016b.)

Incheon is the third largest urban area in South Korea and it is a business, transport and technology center. Incheon and especially the area of Songdo, which is known as the “Silicon Valley” of South Korea, is a great area for doing business since South Korea’s first Free Economic Zone is located there. The Korean government has made it easier to make business in Songdo in order to turn the city into one of the main hubs for international business in Northeast Asia. For example, it is the only city in South Korea where English is the official language for government documents (International Market Advisor 2018).

3.2 History

South Koreans are a very proud and aware of their position as one of the top economies. The strong national esteem has its roots back in the country’s harsh history. South Korea has suffered from being oppressed by the two neighbor countries, Japan and China, and went through a bloody civil war. Koreans have had to fight for getting to express their own culture and language. The “shrimp among the whales” transformed from post-war poverty into one of the biggest economies in the whole world in just a century. This phenomenon is often described as “the miracle of Han river.” Nowadays, South Korea is a market-oriented democracy. Actually, South Korea is one of the most democratic countries in Asia. (Coyner & Jang 2010, 28-36)

The world development indicator’s figures show that South Korea’s GDP has had higher growth rates than any other countries, each decade since the 60’s. As reported by The World Bank (Jagannathan, Krulikowski & Yusuf 2017), “South Korea’s income per capita rose nearly 250 times, from a mere \$110 in 1962 to \$27,440 in 2015.” These numbers prove that South Korea is one of the greatest economies in the whole world. One should also remember that all this astonishingly fast growth has happened in a country that lacks

natural resources and is geopolitically in a very uncertain situation. (Jagannathan et al. 2017; The world development indicator's figures)

3.3 Economy

The Korean economy is export-oriented and mainly forms of the large conglomerates, chaebols, such as Samsung and LG. The leading industries in South Korea are electronics, automobile, ICT, petrochemical, semiconductor, steel and shipbuilding. (Invest Korea. 2018a). South Korea's GDP has been rising in the recent years and in 2017 the growth rate was 3. One of the major reasons behind the growth is that the new president, Moon Jae-in, has succeeded in increasing the consumer confidence by promising to create new jobs and set a minimum wage.

In January 2018 South Korea was ranked as the most innovative country in the world in the Bloomberg Innovation Index, for the fifth year in row. South Korea ranked first in patents and second in R&D and manufacturing value-added categories (Jamrisko & Lu 2018). As stated already in Bloomberg's Innovation Index report of 2015, South Korea's ability to earn patents might be the one of the major keys for South Korea being in such a good economical position and in the frontier of science and high technology (Bloomberg 2015, 2017).

However, the economic growth is expected to slow down in the coming years, like in many other advanced economies. Right now almost half of the GDP comes from exporting goods and services. The biggest export markets for South Korea are China and the United States. (Central intelligence Agency 2018). Some investors fear that the fact that China is one of the main sources of South Korea's export-driven growth hasn't been a positive thing only; it has also affected the growth in a negative way because it has given the opportunity for Chinese to copy the products and then sell them at a remarkably lower price to other markets to which Korea doesn't have as big of an export (Kim 17.8.2017). China has become a major competitor for South Korea as it has chipped away Seoul's export market shares in third countries such as Japan and the United States (Kim 2007, 4).

According to IRI (2016, 24), South Korea's government was involved in a Third Basic Plan running from 2013 to 2017 that included plans of "expanding and improving the efficiency of national R&D investments, developing national strategic technologies, enhancing mid-to long-term creative capabilities, supporting the creation of new industries and creating more S&T jobs." In the recent years South Korea has been ranked high in the telecommunications, big data, the internet of things and quantum computing industries. For example,

in 2015 over 14% of all of the international patents of those fields were accounted for South Korea. (IRI 2016, 25).

3.4 Culture

"The age-old wisdom of Taoism lives side by side with the most advanced technology. The people love the Western lifestyle but have nevertheless retained many customs that are poorly understood by outsiders" (Brightside 2017). As stated by Lehtipuu (2010, 302), social status and degrees as well as financial success and wealth are highly valued in the Confucian tradition of the modern Korea even though making money hasn't traditionally been a fundamental of the philosophy. The saying by Hongik Ingan "live and act for the benefit of all mankind" describes Korean mentality and culture well: Koreans value peace and it is something they try to preserve, whatever it takes. (Hwa 2007, 7).

Hierarchy and forms of address

As mentioned, the Confucian values follow to all aspects of the Korean life, all the way to how relationships shape: "There is never a truly co-equal relationship in the Western sense; rather a balance of power, if you will, between privilege and obligation in all relations", sum Jang and Coyner (2010, 38).

Koreans take hierarchy and status seriously, and that can be heard in their language as well. Koreans are usually rather impressed if a foreigner can speak a bit of Korean but if one starts using it as the main language of communication, he/she should make sure to speak in the respective form. One should also substitute Mrs. and Mr. with the titles of the others in order to show respect, especially when talking to/about an older person or a person who's in a higher position than you. For example, when talking to your director, whose family name is Kwon, you'd refer to her as Director Kwon instead of Mrs. Kwon.

Face saving

Face saving, Chaemyeon, is one of the most important matters one should understand about Korean culture. In Korea, there is nothing more humiliating than losing face. Making a mistake, getting embarrassed or getting treated contrary to one's status can make one lose his/her face. It is crucial to keep chaemyeon in mind whenever in contact with Koreans, especially when giving negative feedback. As Mrs Yook describes (2013, 38), "face-work to protect chaemyun is crucial to one's reputation and social standing."

Customs and expressions

Often times one of the most difficult part of understanding people from a different culture is knowing how they act under certain situations and what their expressions actually mean. As described by Hur and Veghdal (2008, 206.), for example, a smile or a laughter from a Korean might not be resulted by happiness but from discomfort or awkwardness. Some say that a smile or laughter from a Korean could even reflect anger.

Additionally, it can be rather difficult to get honest answers or opinions from a Korean because anything negative should be kept to oneself. Being agreeable, pleasant and polite is more important than being straight forward honest in Korean culture. As Hur and Veghdal (2008, 158) point out, Koreans rather say “there is a small problem” instead of “no” or any other negatives in order to avoid confrontation. To avoid getting unclear answers from Koreans, one shouldn’t ask questions that can be answered with “yes” or “no”. As Lehtipuu (2010, 310) sums it, Koreans tend to say what they think the other person wants to hear and a yes usually means that the person has understood what you’ve said or just “maybe”. A good method of getting more reliable answers is to ask rather indirect questions. As a foreigner, you may want to consider adjusting your way of communicating to less straight forward as well when doing business with Koreans.

4 Startup ecosystem in South Korea

A startup is a company in its early stage moving from the idea to the operations such as setting the basic structure and securing the company's financing in the attempt to capitalize on developing a service or product. What makes startups special is the fact that they have an outstanding ability to grow since they are designed to scale rather quickly. (Businessdictionary; Investopedia). As stated by Robehmed (2013), a startup is also unconstrained by geography. The startup ecosystem builds up from the startups, the accelerators, venture capitalists, government, co-working spaces, networks and events, media and the organizations that educate future entrepreneurs. The factors that determine how good the conditions are for entrepreneurship are, for example, market conditions, knowledge creation and diffusion, entrepreneurial capabilities, culture, access to finance and regulatory framework. (OECD 2017, 15). A healthy startup ecosystem builds up when the culture is supportive towards entrepreneurship and the economy growth is stable.

The main reasons why startups usually have a high failure rate are high costs, lack of revenue and lack of funding from venture capitalists. Frankly, establishing a startup is always a big risk. Financial risks, however, are not the only risks that can set the startups onto a failing path; according to CB Insight's analysis, one of the biggest reasons why startups fail is that there simply isn't need for the product or service. This proves the importance of proper market research prior to launching anywhere. Other top factors for startup failure are having a wrong team, competition and pricing the product wrong. (CB Insight 2018).

In 2017, South Korea was ranked as the ninth easiest economy to start a business in. The ranking was based on the paid-in minimum capital, number of procedures, time and cost of setting up a local limited liability company. (The World Bank Group 2017a). Unfortunately, most of the new enterprises in South Korea end up "dying" as shown in the figure above.

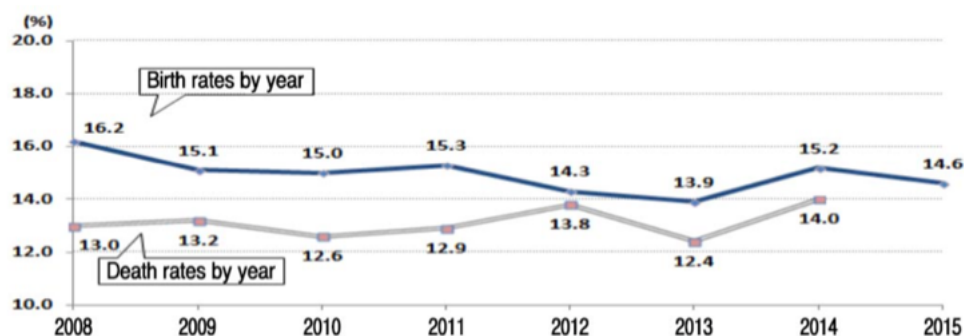


Figure 3. Birth and death rates of enterprises in South Korea from 2008 to 2015 (Statistics Korea 2016)

The beginning of the startup ecosystem

The Asian debt crisis, or “IMF crisis”, which took place in South Korea in 1997 had tremendous effects on the Korean society and culture and resulted in a socioeconomic chaos; the unemployment rate skyrocketed from 2,5 per cent to 7-8 per cent (excluding women and students) after unprecedented layoffs (Song 2009). The crisis can be seen as one of the major factors to have pushed the beginning of the startup culture in South Korea. The welfare system in South Korea wasn’t and still is not too supportive towards young unemployed adults, so “the South Korean welfare policy and public discourse on underemployed young adults explicates the process of neoliberal subjectification of the “entrepreneurship of the self”, explains Song (2009). Additionally, in a country like South Korea, where hierarchy and social status play an important role of the culture, entrepreneurship and establishing a startup can be seen as a way of climbing up the social ladder.

Also, many Koreans think that the fear of chaebols getting vulnerable has had an effect on the startup culture in South Korea and can be seen as the second push for the scene; Mister Kim (17.8.2017), a Korean venture capitalist explains that seeing large companies such as Nokia fall got the Korean government worried about it possibly happening to the big Korean chaebols, such as Samsung, as well. That was a major reason why the government started encouraging Koreans to create new businesses and giving out great funds. As Mr. Lee, a member of the Presidential Council for Future, expressed; “Our economy can no longer rely only on the conglomerates, this is the 21st century. We need another instrument for economic growth” (Chafkin 2011). Alex Gerson (Arirang TV 2016), an American entrepreneur in S. Korea, explained that more Koreans were willing to hop off of chaebols like Samsung to start their own companies because the 3 billion boost that Korean government injected in supporting the growth of the so called “Creative economy” was creating a healthier startup ecosystem with co-working spaces and mentorship programs that weren’t there in the past.

The economic crisis, social hierarchy and politics aren’t the only factors that have pushed the startup culture forwards in South Korea. Globalization has played a huge part in expanding the startup scene into South Korea. Koreans want their kids to practice their language skills and study in well-recognized universities abroad (i.e. Harvard, Stanford etc.). There is a trend of sending kids to study abroad, especially in the United States or United Kingdom from a rather young age. According to Mr. Gershon, this gives South Korea the influx of Korean Americans (Hangukgye Migukin) who come there with very western

ideas, on how to run a startup working alongside with the Koreans who've not lived abroad, to create better products together (ArirangTV 2016).

Also, Korean popular culture has been growing popular around the world over the recent years when acts like Gangnam Style (pop song) have gone viral. As South Korea's global influence on popular culture has kept rising, the Korean startups have also learned to leverage the global exposure. Especially Korean cosmetic companies, such as April Skin, have been able to take a massive advantage of the boom of K-pop stars. (Choudhury 2016).

The profile of a typical Korean entrepreneur

According to the Korean Startup Ecosystem Forum (KSEF) 2016 report, the typical Korean startup founder is a male in his 30's or 40's and has a bachelor's degree in engineering or business. Only about 40% of the survey participants had former entrepreneurial experience. The percentage of both female founders and employees has been decreasing in the past years. Less than 10% of the startup founders were women. Instead, more than half of the employees were women (Korean startup index 2017, 195). Another important finding in the KSEF was that less than 20% of the startup founders who could use English said that they could have proficient conversations with foreigners (KSEF 2017). This definitely complicates cross-cultural communication – was it then with possible investors, consumers or any other parties.

Future prospects & possible effects

In the new five-year plan, Moon Jae-in, the new President of South Korea, wants to grow the economy by creating income growth. This is planned to be done by improving the working conditions, supporting SMEs and creating new jobs. President Moon has talked about rising minimum wages and pushing companies to hire more people, especially the young unemployed. He has also promised that the government will create up to 810 000 new jobs in the public sector. (Korea Herald 2017). The "One Recruitment per One Company movement" has already begun as the National Assembly has formed the ministry of SMEs and Startups (Korcham 2018)

If all the promised actions on Moon Jae-in's five-year plan will take place and the minimum wage will help decrease the prevailing income inequality issue and the employing campaigns succeed, it might enable the youth to start investing in their own companies. On the other hand, the growth in employment might also push people to work in bigger companies and look for stability instead of taking the risk of starting their own companies.

It could take some time for Koreans to be comfortable to take financial risks. The new minimum wage of 10 000 KRW (ca. \$9.30) might also hold back the startups if they can't afford to hire as many people as before.

4.1 Main support nets for South Korean Startups

The support systems for South Korea are in a good place. Actually, it has been speculated that the problem in South Korean start up scene is rather the lack of interest in entrepreneurship and admiration of the well-established giant chaebols instead of bad conditions for founding a company.

Small and medium business administration of Korea (SMBA) & the Ministry of SMEs and startups

Small and Medium Business Administration of Korea has been one of the most important parties in creating a healthier startup ecosystem in South Korea. It has helped startups to find working space and funding by creating multiple incubators around the country in cooperation with other organizations (Chafkin 2012). In July 2017 the SMBA expanded to the new ministry of SMEs and startups as the government decided to focus more on realizing the "creative economy" (Ministry of SMEs and Startups)-

The Korea Entrepreneurship Foundation

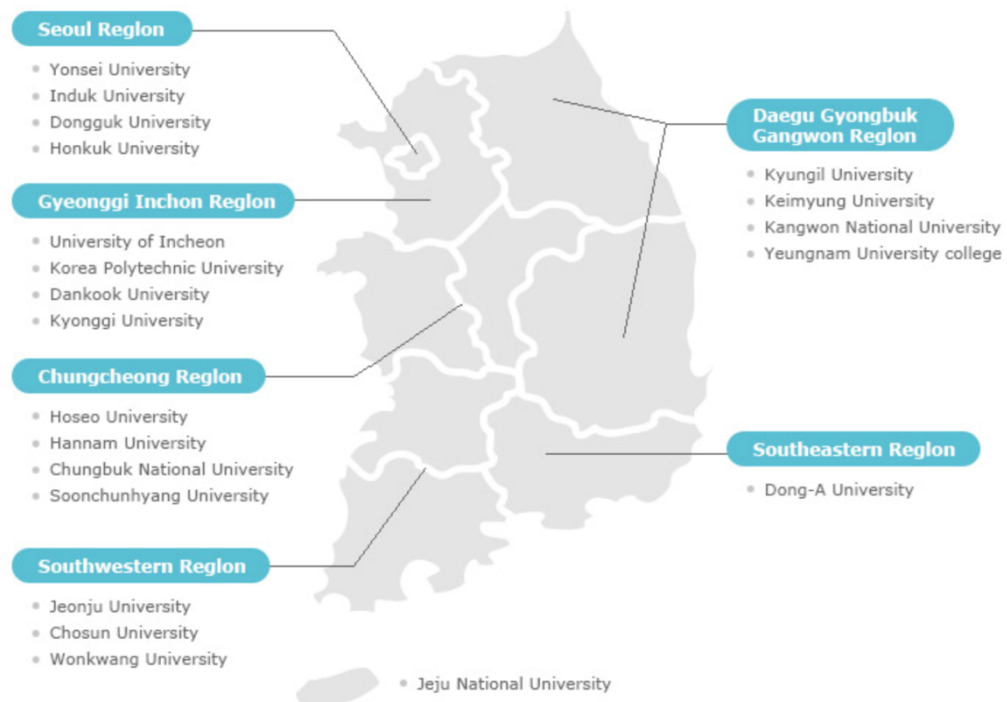
The KoEF, a non-profit organization, was established by SME entrepreneurs in 2010 to promote entrepreneurial culture in South Korea through education, research and mentoring. The foundation has also helped in connecting investors and startups (KoEF 2018).

4.1.1 Incubators and accelerators

Korea Institution of Startup and Entrepreneurship Development (KISED)

KISED, a startup incubating institution, was established in 2008 to support the startup economy in South Korea. KISED believes that by creating education-focused support clusters in different regions, the entrepreneurial confidence will widespread. The organization focuses especially on two different types of entrepreneurs: student and senior entrepreneurs. KISED offers entrepreneurs guidance, mentoring and work spaces. To increase the popularity of entrepreneurship and to create regional start up hubs, KISED runs a Start Up Academy program that offers lectures, mentoring and networking possibilities in 21 different colleges which you can see on the picture above. (KISED 2018). In order to

cater to the need of Korean startups expanding abroad, KISED launched a program for global start up support and partnered with several incubators and accelerators overseas. KISED also funds startups (Choo 2015).



Picture 1. The schools that KISED runs a Startup Academy program at (KISED 2018)

The tech incubator program for startup (TIPS)

TIPS is a two to three-year incubator program for innovative technology startups that co-operates with the government and accelerators. The government provides the chosen startups with up to 500 000 dollars of R&D funds of which the startup is eventually obligated to return 10% if it succeeds. In addition to the government's fund, TIPS connects the chosen startups with angel investors. So far, TIPS has managed to help raise 71.7 million dollars of investments, 137.8 million dollars of R&D funds and \$ 504.9 million dollars of post-investments. However, only three of the over 400 startups have gone through an M&A. (Tech Incubator Program for Startups).

D. Camp

D. Camp, a non-profit organization founded in 2013, was the first Korean integrated entrepreneurship hub which has helped almost four thousand startups. D Camp is operated by Banks Foundation for Young Entrepreneurs which was founded in cooperation with 18

banks and financial institutions from The Korea Federation of Banks, to support young entrepreneurs in Korea. D. Camp runs an investor program, D. Angel, which connects the most promising startups with its network of investors and offers free work space. By 2016 D. Angel program had helped collect 7,66 billion KRW of direct investment and 158,41 KRW of indirect investment (Banks Foundation for Young Entrepreneurs; D. Camp 2016). In addition, D. camp offers numerous lectures and guidance programs for startups and hosts monthly pitching events (D Camp).

Maru 180

Maru 180, located in Seoul, is a startup incubator that offers workspace, mentoring and education, and helps connecting the startups to investors. (Google for entrepreneurs) Maru 180 cooperates with investment companies and other incubators and accelerators such as Campus Seoul and DSC Investment (Maru 180).

10K

10K is a Seoul based co-working space and accelerator. The organization's mission is to help and invest in smart city companies in Asia. Their three-month accelerator program provides the early stage startups networking possibilities, funding and mentoring (10K).

Accelerate Korea

Accelerate Korea is a cross-border incubator and accelerator program sponsored by the NIPA, Ministry of Science, ICT and Future Planning, SMBA, KISED and 22 Centurion Ventures. The close cooperation with the Korean government as well as plenty of other accelerators and VCs, Accelerate Korea can assist startups and SMEs in growing by educating and investing in them (Accelerate Korea).

4.1.2 Main co-working spaces in Korea

Plenty of new co-working spaces have opened around Seoul and its surroundings in the past years. For example, Google established one of their six co-working spaces abroad called "campuses" in Seoul in 2015. The Google campus is one of the most influential start up HUBs in South Korea as it has helped over 22 000 people in the startup ecosystem, most of them working in the fields of mobile, ecommerce, B2B and social networking, by offering free working space for everyone interested in startups. By signing up as a member one gets access to the common working area, several events including well-known keynote speakers as well as trainings.

Additionally, Google Space in Seoul runs a Campus Residency program that accepts ca. six startups in at a time. The startups in the program are given free permanent work spaces for six months, mentorship programs and access to Google's wide network of experts (Campus Seoul). According to the annual Start Up Report (2017), the residence startups raised over 17 million dollars' worth of funds in 2016. Moreover, it states in the report that compared to the broader network of theirs, the amount that the campus residents raised was "twelve times as much funding as the average non-resident startup" (Campus Seoul Start Up Report 2017). Campus Seoul also cooperates with other start up HUBs such as HUB Singapore and KIBA in Indonesia, and Seoul members are allowed to use their spaces, too.

Other popular co-working spaces:

- WeWork Seoul rents work space for startups in five different locations at a very comparative price. The monthly fee includes internet and IT-support (Wework).
- CoW&DoG is a co-working space that offers both free and paid space for working, networking and holding events for its members (Cow&Dog).

4.1.3 Investors

Venture Capital investments

South Korea has ca. 130 venture capital companies, most of which are focused in investing in SMEs and startups (Korean venture capital association). The Korean government supports the Korean venture industry as it believes the SMEs to be one of the major keys to the economic growth in South Korea. According to Korean Venture Capital Association (KVCA) the amount of VC investments has had a steady increase within the past 10 years (Korea startup index 2017, 145). However, the investing in early-stage startups slumped in 2017. The VC investors have focused on mid-term and later investment. Due to the risky nature of the IT industry. However, the amount of investments in mid-term venture companies is expected to rise slightly in the following years. The investment funds of the investment union doubled in just five years and reached 18,359.4 billion won at the end of October 2017 (Korea startup index 2017, 149).

In the three past years most of the VC investments have been injected into the following industries: ICT services with 787 companies, Image/Performance/Record with 698 companies, biotechnology/medical with 410 companies and distribution/devices with 471 companies (Venture Capital Information Center 2017).

Table 1. Investments by industry (Venture Capital Information Center 2017)

Industry	2015	2016	2017
ICT services	401.9 billion KRW	406.2 billion KRW	515.9 billion KRW
Image, performance, record	270.6 billion KRW	267.8 billion KRW	287.4 billion KRW
Biotechnology/medical	317.0 billion KRW	468.6 billion KRW	378.8 billion KRW

VCs with a focus on startups

There are plenty of VC companies out there but not all of them are focused on startups and SMEs in their early stages. Some of the major VCs contributing in the startups ecosystem in South Korea are K Cube Ventures, Q Capital Partners, Korea Investment Partners and IMM Private Equity (Yoon 2017).

K Cube Venture has four different funds which, altogether, are worth over 100 million dollars. K Cube Venture invests in early stage companies in the mobile industry with the range of 100 thousand to 1,5 million dollars per deal. Unlike many other VCs, it is open to invest in companies that are still in the planning stage (KCube).

Q Capital Partners, founded in the 80's, is a private equity and venture capital company which invests in SMEs, also in early stages. The company also offers M&As (Q capital partners).

Korea Investment Partners has invested more than 1,7 billion dollars in over 500 companies since the 80's. The company has invested in giants like Kakao, Naver and YG entertainment and is one of the biggest VCs in South Korea (Yoon 2017).

IMM Private equity, one of the leading private equity investment companies in Korea, focuses on middle market buyouts of and investing in mid-to-large companies. IMM invested the most in 2016 and they have worth of 2,7 billion funds (Yoon 2017). IMM, however, requires the company have an enterprise value of ca. 100m dollars or more (IMM).

Additionally, companies outside of the finance industry have started investing in other companies, too. For example, NHN Entertainment, has invested in other game companies in the past years (Yoon 2017).

Foreign VCs

Korean startups have sparked the interest of foreign VCs, too. For example, these foreign VCs have invested in Korean startups (Startup Alliance 2017):

- Altos Ventures
- IDG Ventures Korea
- Draper Athena
- Big Basin Capital
- Strong Ventures
- 500
- Cyber Agent Ventures
- Translink Capital
- Formation 8
- The Yozma Group
- Global Brain Corporation
- Bluerun Ventures
- Goldman Sachs
- Qualcomm Ventures
- Tekton Ventures
- Softbank Ventures Korea

Angel investors

Ever since 2000, when the so-called venture bubble reached its peak, the angel investments, which were close to 550 billion won, continued to decline, excluding a dramatic increase and drop in 2003. However, after 2011, the amount of investments started to increase steadily and the amount of private investment unions rose from two to 273 unions. These unions have had a huge meaning to the state of angel investments in South Korea as they've helped collecting risk information and increasing investment opportunities. Nowadays, there are closer to 15 000 angel investors registered in the Angel Investment Support Center in South Korea. Many South Korean entrepreneurs end up becoming angel investors as well (Korea startup index 2017, 151).

Most importantly, the amount of angel investments in South Korea has been rising in the past year thanks to the government's efforts to support the growth of SMEs. It has, for example, increased income deductions for angel investors and this has resulted in increasing investments, especially in smaller and early-stage companies (Jeong 2017). Micro investments (less than 15 million KRW) have raised far more than large investments and in 2016 half of the angel investments were micro investments (Korea startup index 2017, 153).

4.2 What slows down the startups in South Korea

Running out of cash

"In Finland, maybe it is too easy to get the seed funding for R&D instead of tax bonus or money straight to the bank, that's why many companies after the R&D stage, don't know what to do next when they need to grow but no one gives them more money", describes Kupiainen (Bui 2016, 11), CEO and co-founder of startup gaming platform Playfield, as one of the main reason why startups fail in Finland. Since, South Korea is a top country in governmental funds for R&D, this can be seen as a threat for startup growth there as well. The Chairman of the global entrepreneurs' foundation thinks that the biggest problem is that only a friction of the government's funds are directed towards companies in the mid and late stages (Guttman 2018).

Difficulties in smart exiting

A startup should always have an exit plan and for a good reason; they usually cannot remain private and they have to either get acquired or go public (Forrest 2015). Initial public offering, "a company's first sale of stock to the public" (Nasdaq), isn't often a good option for a startup exit. There are plenty of reasons why M&A is considered as a better option. First of all, IPO is expensive: the process is very time consuming, especially for the management, and the "typical costs for startups today range from \$250,000 to \$1 million, even if the offering does not go through", says Zwilling (2013). Ryu, a startup entrepreneur from Seoul, currently working on a new mobile application, thinks that even though the startup ecosystem is getting healthier in South Korea, there should be more education about exit possibilities. He also states, many Korean entrepreneurs don't think about the exit plan enough until they start running out of money. "Most startups dream of getting acquired by big conglomerates but that is not possible for everyone", says Ryu. (Ryu, J. 15.5.2018)

The domination of the chaebols, ageing society and the strict hierarchy slowing the new innovations aren't the only obstacles on the way to success of startups in South Korea –

“Immature exit environment with narrow M&A market and demanding conditions required for an initial IPO” prevail (Lo 2016, 81-82).

The IPO market has had a slight increase but according to the Korea Startup Index 2017, the investment recovery market has been poor in the recent years. Although the number of venture companies and angel investors is increasing every year, the problem is that an enormous amount of money is invested in the venture ecosystem every year but the funds are rarely either successfully recovered or reinvested. (K-ICT Born2Global Centre 2017, 155).

Military service

“Despite these monumental achievements, thousands of startups in South Korea in the last decade have struggled to make international headlines, and the root of this lies in the mandatory military service”, states Jason Minkee Kim (2015), a Korean startup owner. Because of the demographic and political situation of South Korea, the military service is mandatory for all South Korean male citizens from age 18 to 35 years old. There are no ways out unless one defends the country’s honor on an international level, as some professional sportsmen do. For example, even the biggest pop stars have to serve their country. The service takes as long time as from 21 up to 24 months. The calls to enlist can happen anytime for men in their 20’s. This has a huge impact especially on entrepreneurs’ businesses because there are no holidays or connections to the outer world during the time serving which means that their businesses have to stand still for the time being or someone else has to be taking care of them. The military service additionally kills creativity and willingness to take risks, which are needed in the startup industry. (Kim, J. 2015)

The effects of the presidential corruption scandal and impeachment in 2017

The corruption scandal and impeachment of President Park Geun-he in 2017 caused turbulence not only in politics but also in business. “Choi Soon-sil, a long-time friend and “advisor” of President Park Geun-hye, was accused of dubious dealings, interference in state affairs, and the extortion of nearly \$69 million from large corporations into privately-run foundations she controlled” (Yoon 2016).

The impeachment has had an impact on the startup ecosystem as well. Park was considered as a startup and research-supportive president and set supportive programs for funding startups. As Mrs. Yoon states (2016), the biggest “losers” in the scandal were startups because a government run startup think tank and incubation center, known as CEL, was implemented by President Park Geun-hye. Being pushed by Mrs. Choi, President Park

pressured major Korean chaebols to invest tens of millions of dollars in her non-profit foundations. For example, Samsung was pushed to invest almost 40 million dollars to the foundations. Mr. Kang (2017) explained that this was done “in exchange for the government’s backing of a controversial merger of two Samsung affiliates in 2015.” Now the startups that were signed up in the support programs are in trouble because the government wants to cut the funding to the projects that involved President Park or Mrs. Choi. The whole situation is also a “guilt by association” type of a burden to the startups because of the fact that their involvement is scrutinized and investigated (Yoon 2016). Regardless of fears and speculations during the impeachment and presidential elections, the new president, Moon II, has shown great interest and actions in continuing the Creative Economy.

5 Return on investment

According to Baker McKenzie (2018, 29), the key factors for growing M&A and IPO activity are: ease of doing business, country's economic growth, the size of the stock market and the economy, business regulation, political stability, freedom and openness to trade, sovereign credit risk and legal structure. The GDP is increasing and the ease of doing business in Korea is in a good shape; according to the World Bank, South Korea currently ranks as the 4th in the ease of doing business (The World Bank. 2017b).

5.1 Getting listed in South Korea (IPO)

The Korea Exchange (KRX) has scaled the markets for different industries and company sizes. The KRX, which is said to be "one of the most liquid markets in the Asian region" (PWC 2017, 1) has four main categories:

- The Korea Composite Stock Price Index (KOSPI), which is the main board of KRX.
- Korea Securities Dealers Automated Quotation (KOSDAQ)
- Korea New Exchange (KONEX)
- The derivatives market

As Kaltak stated earlier, it isn't easy for a startup to make a smart exit and South Korea is no exception. Despite of the plans to ease entering the markets, the Korean IPO market still consists mainly of large conglomerates instead of a wide range of SME companies (Cho, H. & Cho, J. 2018).

It is no wonder as the listing procedure for KRX is extremely demanding and time consuming: it has over 20 phases and can take from approx. two years to almost three and a half years' time. (PWC 2017, 15) The requirements for listing one's company on KOSPI can also be far from what an early-stage company could meet; they include, for example, 3 years of operating history, the capital size of over 30 billion KRW of share-holders' equity and over million shares to be listed (PWC 2017, 8-9). Getting listed on KOSDAQ isn't simple either, though the requirements are remarkably lower compared to KOSPI. Venture companies and growth technical companies aren't required to have a certain operating history but the company has to have, among several other requirements, the capital size of one to three billion KRW of shareholders' equity depending on the company type. (PWC 2017, 7-8)

The future looks brighter for SMEs as KOSDAQ's plan is to increase the amount of SMEs in listings (Song, J., 2017). Since 2013 SMEs in South Korea have been able to list their companies to KONEX, which has less requirements than the other market places on KRX. In addition to KONEX, there is one more marketplace for SME's in Korea: KSM. Despite of high hopes of increasing listings, it seems like the Korean market places created for SMEs haven't succeed as hoped: by the end of 2017 only few of the companies registered to KSM drew trade (Shin H. & Cho, J. 2017).

EY (2017, 14) believes that cross-border IPOs will increase in South Korea in the up-coming years. The biggest factors that may have an effect on the exit markets are the geopolitical uncertainties and fears over North Korea as well as the possible changes in the US industrial policies.

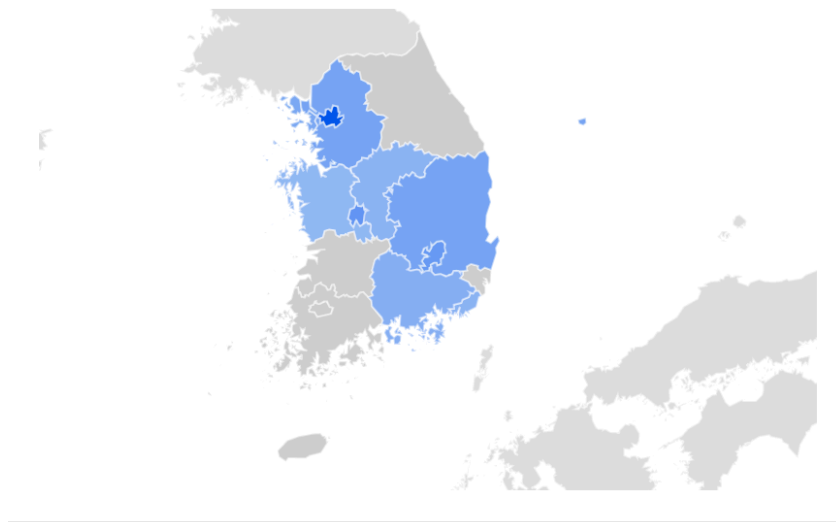
5.2 M&A in South Korea

It seems like the biggest issue in M&A in South Korea is that the investment route is rather focused on venture capitalists who tend to avoid M&As and push IPOs. According to Institute for Mergers, Acquisitions and Alliances (2017), most of the M&As in 2017 in South Korea were between large conglomerates operating in the financial, brokerage and electronics industries. Since 1991, the most targeted industries for acquiring have been electronics, semiconductors, metals and mining, automobiles and components, building/construction & engineering, software, chemicals as well as transportation and infrastructure.

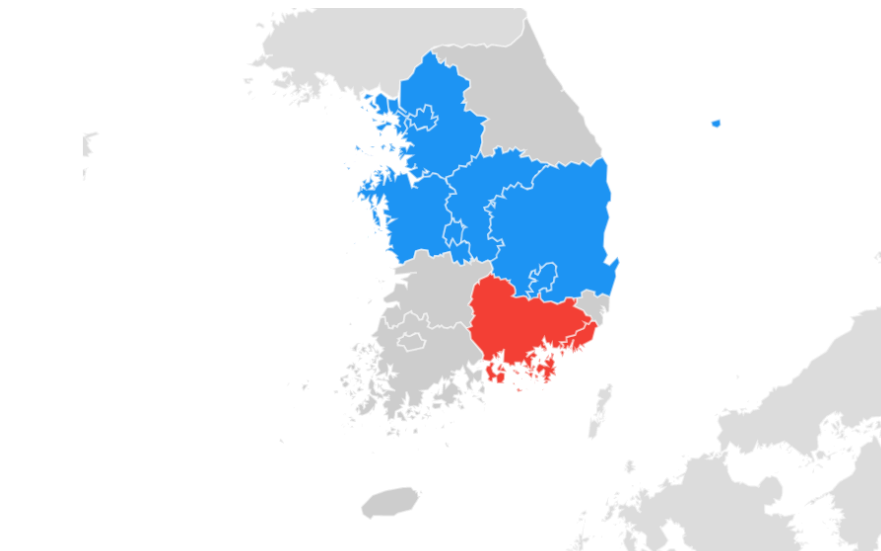
The amount of M&As in South Korea is expected to increase in the technology industry along with the fourth industrial revolution that will boost new innovations and grow the economy. Several leading technology companies, such as Kakao, LG and SK Telecom, have expressed their interest in growing their businesses through M&As, especially with content creating companies (Lee, M.H. 2018). The M&A market is expected to heat up in the financial sector, too, as several financial groups have shown interest in acquiring/merging with insurance companies (Asia Insurance Review 2018). According to Baker McKenzie's forecast (2018, 31-39), South Korea's domestic M&A transaction activity will have steady growth until 2019 and drop in 2020. The major growth is expected to happen within the following six quarters. The domestic IPOs are estimated to follow a similar pattern.

5.3 Local interest in M&A vs. IPO

According to Google Trends' data (Picture 2) from the past 12 months, the interest for keyword "M&A" (인수 합병 in Korean) in South Korea has been biggest in the Seoul metropolitan, Daejeon and Daegu areas. As seen in the picture 3, when comparing the interest between M&A and IPO (기업공개 in Korean) within the past 12 months it seems like they are rather even. IPO, however, was more searched than M&A in the Southeast (Google Trends 2018).



Picture 2 Interest for M&A in South Korea within the past 12 months (GoogleTrends 2018)



Picture 3 Interest for M&A versus IPO in South Korea within the past 12 months (GoogleTrends, 2018)

5.4 Initial coin offering (ICO) in South Korea

It is essential for Lexit to understand the current state of the cryptocurrency scene in South Korea as it's one of the main factors that define the market fit the company. The cryptocurrency markets in South Korea grew exponentially in the second half of 2017 when the government of South Korea legalized bitcoin in July and begun to fully regulate the exchange market (Pauw 2018). In fact, Until the end of 2017, South Korea was the biggest market for crypto currencies and the daily trading of cryptocurrencies still exceeds trading on KOSDAQ, which is the secondary trading board of Korea Exchange, KRX (Park 2017; Tokens24 2018). For example, South Korea was the biggest exchange market for Ethereum right after the United States and China (Kim, Y. 2017).

As South Korea's craze about crypto currencies peaked and the markets were hacked by North Korea, the government started to fear for possible threats such as new hacking waves and money laundering; it had to step in with strict regulations in order to protect the markets. In September 2017 the Financial Services Commission (FSC) banned ICOs and due to new regulations made in January 2018, Korean investors needed to use virtual bank accounts to be able to make cryptocurrency exchanges. Some of the biggest banks even decided to stay out of these crypto wallet services. In addition to the ban of anonymous crypto exchange, the government also banned foreign crypto investments. (Ramirez 2018).

Future prospects

Regardless of all the regulations and bans, the future of cryptocurrency markets in South Korea seems rather bright:

“The government has continuously said to promote the block chain technology apart from regulations to secure soundness of cryptocurrency transactions. The Ministry of Science and ICT (MSIT) will inject 4.2 billion won (US\$3.94 million) of budget this year to support actionable block chain technology projects.” (Yoon, Y. 2018)

Even the mayor of Seoul has talked about creating own cryptocurrency, S-Coin, for the city (Yu J. 2018). “Despite the ban, many South Korean companies have been involved in raising money through ICO's overseas. The Korean regulatory bodies have no permission to look into companies' records for overseas funding”, said McMahon (2018).

6 Marketing in South Korea

Due to the country's constant fast paced development, it can be rather demanding for marketing analysts to keep up with all the new changes and trends (Coyner & Jang 2010, 17). Also, foreign companies often make the mistake of trying to force their marketing strategies to fit in the Korean markets the same way as elsewhere. Korea is a market place where one has to know the culture well before entering and try adapt to it. (Coyner & Jang 2010, 272-273)

According to Coyner and Jang (2010, 269), due to "Korea's close-knit society of large, extended families and affinity groups, where extensive personal networking is a matter of survival", the most valued advertising is word of mouth.

6.1 Who to target?

While men tend to control the business world, the wives and the mothers usually control the household – including important family decisions regarding how to invest the income. (Coyner & Jang 2010, 40). This is something marketers might want to consider when targeting marketing campaigns.

6.2 Branding and PR

In addition to WOM, Koreans tend to trust those companies the most who have strong media coverage, especially articles and statements made by analysts and business experts tend to support building trust among Koreans. (Coyner, Jang 2010, 276.). Advertising is important, too, but PR and strong corporate image are the priority in the Korean markets. (Reilly, Coyne & Jang 2010, 9). Taking this into consideration, using outlets with "perceived business expertise" when, for example, pitching your company or sending out direct emails or press releases can be very beneficial for your company.

As Koreans are described as the leaders in sharing critical feedback of companies on the internet, companies, especially foreign ones, should always stay on top of the current cyber trends and be extremely careful with negative publicity. (Coyner & Jang 2010, 279).

Some companies believe that one key to successful branding in Korea is to make the product or service "Korean" and come up with Korean brand titles and grow a totally differentiated brand for the Korean market to meet the local needs (Coyner & Jang 2010, 272-273).

6.3 Marketing channels

Media

According to Edelman's trust barometer (2018, 17-21), Koreans trust towards traditional media and journalism is a little bit higher than towards platforms. However, the trust towards platforms, which includes search engines, social media etc. has not decreased within the past two years. Like many fellow Asians, Koreans aren't too keen with Whatsapp or Facebook. Instead, they use their own multi-platform texting app, Kakao Talk, which is the most used social media platform in the country.

Naver as the publisher for your brand

Not only do Koreans have a unique culture but networks as well. Koreans don't usually use any other browsers than Internet Explorer so the websites meant to work in South Korea have to be designed to fit Explorer or the user friendliness decreases or, in the worst scenario, they won't even work. Not all Koreans are too familiar with Google either – they actually have their own version of it; www.naver.com. These facts should be taken into consideration when planning marketing and SEO in the South Korean markets. As Yu (2016), Koreans often intentionally block Googlebot for privacy concerns and use Naver instead. This means that the companies wanting to establish their brand in the Korean markets and make it searchable it has to be optimized for the Korean search engine.

Events and fairs

Since marketing in Korea is very tough due to the ruthless competition of attention and search engine optimization, especially for a foreign company, it becomes vital to have great networks for offline actions. Events are a great way to spread the word of one's company and network with the locals. There are plenty of startup and investors' events held in South Korea, especially in the Seoul metropolitan area. The most useful events and fairs for Lexit to attend and to network with startups in 2018 could be:

- Blockchain Agenda
- World IT Show
- SMART TECH KOREA 2018
- Gwangju Int'l IoT & Robot Fair 2018 (G-robot Korea)
- Artificial Intelligence Expo Korea 2018 (AIEXPO)
- Smart Cities Innovation Summit Asia 2018 (SCIS Asia 2018)
- IoT Korea Exhibition & International Conference 2018

- Global entrepreneurship week Korea

It would also be beneficial for Lexit to attend events and hold speeches and lectures about startup life and smart exiting in some of the biggest universities. It is rather easy to set up a keynote speech event at a local university in South Korea, especially if you have a connection to anyone in the school. However, I can tell from my own experience that one has to be very careful with making sure to keep the event as neutral in terms of any opinions and not say anything that would be against the school's possible sponsors' ideologies.

7 Business culture, structure and manners

Even though Lexit is a service platform online, they will still have to make appearances in startup HUBs, local institutions, facilities and companies in Korea in order to grow their network of investors and entrepreneurs. Understanding how Koreans do business will ease dealing with them and save time. Korean business behavior can be described as relationship-oriented, formal, emotionally reserved and hierarchical. (Gesteland 2005, 185).

Networking and introductions

According to Lehtipuu (2010, 318), unlike in many Western countries, cold calling does not exist in South Korea. Doing business in South Korea can be tricky without great networks in different fields. One needs wide networks and tight relationships in order to get into and to make it in the Korean markets. According to Paaso (Lehtipuu 2010, 318), “communality can be seen as the main goal in Korea and hierarchy and harmony as the ways of achieving it.” This said, it can be very difficult or even impossible to proceed into doing business in the South Korean markets without good connections.

The best way of getting meetings is to get introduced by a friend or another business partner. As Lehtipuu says, Koreans are a very homogenous nationality and don't usually trust people outside of their circle of connections, especially foreign ones, and that there always has to be a third person setting up the introducing. Unlike in Western cultures, according to Gesteland, introductions in South Korea are never casual and they should be arranged to be very formal. Koreans value testimonials from friends and people in high positions. Knowing people from high positions, such as authorities or politicians, can be a huge advantage when seeking for new connections. Also, the suspicion of strangers often makes the officials in South East Asia rather slow and hesitant to get things done so it once again is a huge advantage to know some of them or have a local handling the bureaucracy.

When one simply does not have local connections or highly enough positioned connections, Gesteland (2005, 23) recommends to turn to international trade shows, chambers of commerce, embassies and official trade missions. He mentions that “business behavior at such exhibitions tends to be deal-focused because most of the attendees are there for the express purpose of making business contacts” (2005, 23).

Meeting and greeting

Korean way of introducing oneself differs from the western way. For example, Koreans show respect bending their upper back when meeting but one should keep in mind that it is not the same as the Japanese bowing; Koreans bow sparingly. In addition, Korean women rarely shake hands so western women may consider also avoiding it. In Korean culture the senior usually offers his hand first but exceptions can be made when the other part is Western. (Hoare 2007). The handshake should always be relatively firm but in Korea a limp handshake is not considered sloppy either. In Korea it is common for juniors to use both hands when shaking hands, left hand under the right wrist. Also, saying "*Ban gop sumnida*", which means "I'm happy to meet you", will give a good first impression (Eggbum Education, Korean greetings). Exchanging business cards is a ritual in Korean business culture and an important part of the first meeting. The cards should always be exchanged with both hands while standing and the text should face the receiver. The received cards should be treated as respectfully as the person himself and there exist some additional "rules" such as having to take the time to read through the person's card and placing it in front of you onto the table. (Hur & Veghdal 2008, 205-206.)

Business gifts

As well as giving your business card to the person you're meeting, giving business gifts is important. In Korean culture, it is necessary to show respect and gratitude towards others and it should not be forgotten when doing business either. Exchanging gifts is a ritual that Koreans expect to be done when doing business. Business gift exchange with Koreans can be rather confusing for foreigners since it has its own etiquette.

Gifts should be given at the end of the first meeting but Koreans tend to keep giving gifts every now and then during the course of the business. In Korea there's a rule that receiving a gift means that you have to answer to it, that one always has to return a favor. If one answers to a gift with a less valuable one, the recipient's Kibun, aka person's emotional balance, might shock. This said the more valuable the gift is, the more you show respect towards the recipient but it is more binding, too. Gifts can be thought as the meter of how serious the other part is. If a Korean rejects your gift, it means that they will not answer to your request. (Mikluha 2000, 206-207).

A safe choice for a business gift is something from your home country or a bottle of expensive alcohol as long as it's not vodka or red. Cigarettes and cigars should never be given as a gift in Korea. (Mikluha 2000, 208). Additionally, it is essential to make the packaging

look beautiful. According to Culture smart (Hoare 2005,66) gold is the best color for wrapping gifts.

After a deal is done, it is considered to be good-mannered to remember the ones who were involved in the making of it. According to Mikhula (2000, 208) this is usually done by making a third person to give cash in a white envelope to the ones involved. In many other cultures this might seem quite suspicious and look like a corrupted act but in Korean culture it is just a ritual to express one's gratefulness and respect towards the partners.

Business dress sense

In South Korea it is expected to dress up very conservatively because it is also considered as a way of showing respect. Wearing a full suit, even on a hot summer day, gives the impression that you truly respect your counter partners.

Presentations

Unlike many westerners, Koreans often prefer really detailed slideshows as it shows that great efforts were seen for the preparation. It is totally normal for a Korean to present a slideshow of 40 pages filled with tiny details. Koreans like presentations that have a lot of descriptive charts and figures, especially when showcasing numbers. According to Lehtipuu (2010, 306), it is important to repeat the main message and point in the beginning and the end of the presentation but still avoid giving the impression of doing it because the other party wouldn't be capable of understanding English (which the situation often is).

In order to not seem very self-centered, it is also advisable to avoid using the word "I" when speaking. As stated by Hoare (2005, 40), Koreans emphasize being part of a group instead of individuals. A good rule is to talk about "us" and "our" whenever possible when talking about your partner. Interrupting is considered very rude so one should make sure to carefully listen to the Koreans first before answering any questions or giving opinions or other comments.

As Gesteland says (2005,188), one should avoid using a lot of vigorous gestures such as arm waving since Koreans tend to prefer restrained body language. Unlike in many Western cultures, it is not considered as good performing to keep moving around to "take the space" or to talk loud. It also might be a little intimidating to try to have a strong eye contact with Koreans because they usually don't look into one's eyes more than half of the time when having a conversation.

It is crucial to avoid using red ink and color, especially when writing people's names since it's believed to cause the serious problems or even death. Also, number 4 is to be avoided since it symbolizes and is pronounced the same way as death (*sa*) (Hoare 2005, 65).

Negotiations

In the Korean hierarchic culture, it is vital to send as highly positioned representative of the company as possible. As Lehtipuu (2010, 307-308) mentions, sending a manager in his/her thirties isn't convincing or respectful to the Koreans at all and they often times won't even agree to negotiate with people of lower positions or young age. This is good to remember when getting into the negotiations; you don't want to waste all the hard work to have been able to set up a meeting. It is also a good idea to exaggerate one's title when meeting. For example, Mrs. Paaso (Lehtipuu 2010, 308) changed her title from managing director to President when beginning negotiations with South Koreans.

When doing business with a relationship focused culture, especially in South Korea, it's important to remember that it's considered polite and tactful to not go straight to business when meeting your partner but to discuss subjects such as the weather and your home countries first. This often applies when sending emails, too. The first meeting is about deciding whether the person (Korean) likes you or not and that you usually notice that it's a good time to move onto dealing business when the Korean party seems interested in what you have to say about the subject (of the deal). You should also stop discussing business when the Korean party starts to talk about casual things; it's a sign that the business for that day has been done.

Since Koreans usually act tactfully and don't show their inner emotions and opinions in order to protect the *kibun*, a Western person can get fooled to think they're relatively easy-going. Even though Koreans tend to be very peaceful and tactful in order to foster the harmony, they do sometimes surprise Westerners with being rather straight forward during negotiations. As claimed by Mrs. Lehtipuu (2010, 299), at times Koreans use emotional tactics and aggression when negotiating. Mrs. Lehtipuu (2010, 303) also warns about getting confused with the discretion and peacefulness of Koreans when starting negotiations; Koreans have a solid tradition of negotiation which is called *enuri*, and have learned to become very skilled and strict negotiators. Additionally, Koreans usually pay more attention to the price than the quality of the product or service when negotiating.

Negotiation skills of the Koreans stem from the old culture of bargaining so it is recommendable to set a higher price in the beginning than what is actually aimed for. According to Lehtipuu, this will make both parties meet in the halfway and feel satisfied in the end. Allowing room for bargaining can really be vital, as Mr. Lewis explains (1996, 398): Koreans can easily break the relationship in case they get a better deal elsewhere. This is crucial especially if there is competition on the same field or industry.

Even the smallest disagreements can lead to quite a drama and sometimes up to shouting from the side of the Korean party. One should not be provoked and respond aggressively but rather stay cool and play the part of a good listener “until the person realizes that the other party will not give up” as Lehtipuu (2010, 303) says. Even though Koreans are usually rather humble, Lehtipuu (2010, 305) mentions that it is crucial to give the impression of confidence and never show any kinds of hesitation when negotiating with Koreans in order to retain their trust.

Contracts

Coyne and Jang have also warned that, unlike in many other cultures, the signing of contracts can only be the beginning of negotiations in Korea. (Coyne & Jang 2010, 8-9). As Gesteland (2005, 190) explains, the meaning of contracts to Koreans is less important than the relationship between the parties. This said, one shouldn't put too big of an emphasis on/to the contracts but rather focus on nurturing the relationship.

“Hence your counter partners may try to negotiate at any time if circumstances should change. So it's wise to remember that renegotiation of terms can work both ways. If your Korean partners insist on changing a contract clause in their favor, an effective response is to require a change in another clause in your favor” continues Gesteland (2005, 190).

As Lehtipuu (2010, 305) says, it sometimes takes more time for Koreans to make the decision about the deal and they should never be rushed with deadlines. Therefore, it is important for Lexit to communicate clearly to all the Korean parties how much communication between all of them will be involved during the listing processes etc.

Keeping up with the relationship

Koreans expect you to be really flexible in customer service. As explained by Lehtipuu (2010, 308) one should always answer Koreans' emails as soon as possible. The same rule applies to phone calls and messages as well. For example, I myself noticed the im-

portance of answering the partner immediately whenever I spent time with Korean businesspeople, since they always had to excuse to exit for their customers' calls – no matter if it was day or night or a national holiday.

8 Analysis and discussion

8.1 Conclusion of the main findings

Since Lexit Inc. should be available and present where startup culture and especially the tech field of it blooms, South Korea is definitely a country to start expanding the markets to. The future of the Korean SMEs and startup ecosystem looks rather bright as the government is taking actions to shift from chaebol-focused mindset to growing the economy by supporting smaller companies, too. South Korea has huge potential as a market place for Lexit, especially now that plenty of investments are being injected into SMEs, M&A markets are heating up and Korean startups are gaining global interest among investors. Also, as Mr. Kim mentioned, the companies that were invested in huge amounts of money in the past years are probably going towards the exit phase soon (Kim 2017).

One of the major difficulties that Lexit will have to tackle with is the ICO regulations. South Korea, however, showed in 2017 that it has great interest in cryptocurrencies. It is an advantage for Lexit that Ethereum is one of the most popular cryptocurrencies in Korea.

As Koreans highly appreciate testimonials, it'd be important for Lexit to have some examples of companies that have successfully gone through an M&A with the assistance of Lexit. Koreans may also need more convincing on why to choose Lexit over other well-established M&A Advisory companies. It definitely is beneficial for Lexit to have as much media coverage as possible before entering South Korean markets.

It is very important for Lexit to make sure how they communicate the possibilities in failure in South Korea as the culture doesn't really celebrate failure. Also, making sure to not criticize the people or the country is crucial. As South Koreans are very homogeneous and ethno-centric, the importance of the cultural aspect increases when doing business in Korea. Lexit might want to test which kind of a key message is more powerful: surviving from a startup failure or looking for a stepping stone for the company to get acquired etc. As mentioned earlier, it could be a good idea to start from other cities than Seoul, such as Daejeon and Daegu where the interest for M&A has been rising, before trying to conquer the Seoul markets. This enables testing of which kind of an approach works the best for Koreans.

Also, cooperating with KISED, for example, could be very beneficial for LEXIT as they have a high focus on the future entrepreneurs. With KISED, Lexit could easily access plenty of leading educational institutes and gain trust from Koreans through word of mouth

within the society of young Korean entrepreneurs. Marketing to students in the startup ecosystem is not only good for future sales if they end up listing their startups but they could also think about buying assets for their new startups from already existing ones. It could be very beneficial for both parties as the technology asset –oriented marketplace could match the needs of the Korean technology and IoT startups rather well.

Additionally, the company could come up with some kind of a keynote speech tour in Korean startup incubators' and accelerators' events. For example, the monthly pitching events that D Camp organizes, could be an excellent place for Lexit to pitch what they have to offer for startups since usually around 150 startups, local media and plenty of investors are present (D. Camp). Also, sending out PR releases regularly to the medias listed on this thesis could help creating buzz in the local startup scene and help with gaining trust. Other ways to tackle the trust issues could be working with local marketing agencies and utilizing translators' services to prevent misunderstandings in communication. Setting up a local ambassador program among the first clients could help boosting the WOM as well.

Overall, it is an excellent time to start planning the entry plan and networking at the local events and launching cooperation with the local startup HUBs and organizations, especially now when there aren't any other companies alike.

8.2 The reliability of this thesis

Since this thesis was more of a collection of large amount of data and a variety of different sources were used as the foundation, the thesis can be seen rather reliable. Of course, there could've been more interviews and a survey used to support the validity of the thesis. However, the few interviews used on this thesis were not the main basis for the argumentation but rather individual comments from people who've worked for several companies and projects. Also, the interviews were from different perspectives: serial startup entrepreneurs and an investor from South Korea. Additionally, like mentioned earlier, the current political situation keeps changing very fast so by the time one is reading this thesis, the information might have outdated.

If Lexit wishes to go deeper in the market research, with any specific questions, I would recommend conducting a survey for local entrepreneurs and sharing it, for example, in local startup events.

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